MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016 SESSION

BAB 2024 – MANAGEMENT ACCOUNTING FOR MANAGERS

(All Sections / Groups)

11 October 2016
9.00 am. – 11.00 am.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 7 pages (excluding cover page) with 4 Questions only.
2. Answer **ALL** Questions. All question carry equal marks. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

(a) Cost volume profit analysis is based on a number of assumptions. Explain any three (3) assumptions on which cost volume profit analysis is based on.

(3 marks)

(b) Flash Manufacturing Sdn Bhd manufactures 18 GB flash drives for computer users. Price and cost data for a relevant range of up to 200,000 units per month is tabulated below:

	RM
Sales price per unit (current monthly sales volume 140,000 units)	25.00
Variable cost per unit:	
Direct Material	7.30
Direct Labor	6.00
Variable manufacturing overhead	2.60
Variable selling & administrative expenses	2.10
Monthly fixed expense:	
Fixed manufacturing overhead	292,000
Fixed selling and administrative expenses	447,200

Required

(i) What is the company's contribution margin per unit?

(1 marks)

(ii) What is the contribution margin ratio?

(1 marks)

(iii) What is the break-even point in **units** and in **ringgit**?

(2 marks)

(iv) How many units would the company have to sell to earn a target monthly income of RM 269,500?

(2 marks)

(v) What is the company's current **margin of safety** and **margin of safety ratio**?

(2 marks)

Continued...

PART B

Reckon Manufacturing Sdn Bhd manufactures a single product. Cost, sales, and production information for the company and it's single product is as follows:

	Units
Units manufactured during the year	17,000
Units sold during the year	13,000
	RM
Sale price per unit	49.00
Variable manufacturing cost per unit manufactured	26.00
Variable selling & administrative cost per unit sold	3.00
Fixed manufacturing overhead in total for the year	187,000
Fixed selling & administrative cost in total for the year	47,000

Required

(i) Prepare an Income statement using absorption costing.

(5 marks)

(ii) Prepare an Income statement using variable costing.

(5 marks)

(iii) Reconcile the difference in income between the two methods and explain why the differences arise.

(4marks)

(Total 25 marks)

Continued...

QUESTION 2

(a) Activity based costing (ABC) systems are expensive and difficult to implement. Companies must consider a number of factors before replacing their traditional costing system with ABC. List three (3) factors to be considered in the implementation of ABC.

(3 marks)

(b) Joven Manufacturing Sdn Bhd manufactures and sells water heaters to homes. It applies manufacturing overheads to all units at the rate of RM 80.00 per machine hour. It has two main products; the Deluxe model and the Executive model. Production information is as follows:

	Deluxe (RM)	**Executive (RM)**
Direct materials	35	60
Direct labor cost	20	20
	Units	**Units**
Budget volume	8,000	15,000

The Cost Accountant has determine that the Company's overhead cost can be identified with three (3) activities: Setup, Machine Processing and Shipping Cost. He has compiled the following data on setups, machining processing and shipping cost which are the activities' three respective cost drivers as follows:

	Deluxe	**Executive**	**Total**
Setups	50	30	80
Machine Hours	16,000	22,500	38,500
Shipments	100	75	175

The company's total overhead cost of RM 3,080,000 comprises of the following:

	RM
Set-up cost	672,000
Machine processing	1,848,000
Shipping cost	560,000
Total overhead cost	3,080,000

The current selling price of the Deluxe model is RM 260. The Director of Sales wants to reduce the selling price by RM 40.00 to boost sales. Management wants to review the cost before making a decision.

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Required

(i) Calculate the unit manufacturing cost of the Deluxe and Executive model based on traditional costing.

(4marks)

(ii) Calculate the unit manufacturing cost of the Deluxe and the Executive model based on activity based costing (ABC). Show all relevant calculations.

(13 marks)

(iii) Based on your findings in (ii), would you agree with the Director of Sales to reduce the selling price of the Deluxe model by RM 40.00? Explain your reason.

(5 marks)

(Total 25 marks)

QUESTION 3

(a) The sales budget is the first budget to be prepared in the budgeting process. Explain why the sales budget (forecast) is the starting point in the budgeting process.

(3 marks)

(b) The marketing department of Faber Manufacturing Sdn Bhd has submitted the following sales forecast for the coming fiscal year:

Quarter	Budget Sales (Units)
1st Quarter	8,000
2nd Quarter	7,000
3rd Quarter	6,000
4th. Quarter	7,000

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The company expects to start the first quarter with 1,600 units in finished goods inventory. Management desires an ending finished goods inventory in each quarter equal to 20% of the next quarter's budgeted sales. The desired ending finished goods inventory for the fourth quarter is 1,700 units.

In addition, the beginning raw material for the first quarter is budgeted to be 3,120 pounds and the beginning accounts payable for the first quarter is budgeted to be RM 14,820.

Each unit requires two (2) pounds of raw materials that costs RM 4.00 per pound. Management desires to end each quarter with an inventory of raw materials equal to 20% of the following quarter's production needs. The desired ending inventory for the fourth quarter is 3,140 pounds.

Management plans to pay for 75% of raw materials purchased in the quarter acquired and 25% in the following quarter.

Required

(i) Prepare the company's production budget for the coming year.

(6 marks)

(ii) Prepare the company's direct material budget for the coming year.

(10 marks)

(iii) Prepare a schedule of cash disbursements for the purchase of raw materials for the coming year.

(6 marks)

(Total 25 marks)

QUESTION 4

PART A

(a) Explain what you understand by the term "Ideal Standards" and "Normal Standard" in setting standards in standard costing.

(3 marks)

(b) Sunway Manufacturing Sdn Bhd needed to determine if it is would be cheaper to make 10,000 units of a component in-house or to purchase them from outside supplier for RM 4.75 each. The cost information on internal production is as follows:

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	Total Cost (RM)	Unit Cost (RM)
Direct Materials	10,000	1.00
Direct Labor	20,000	2.00
Variable Overhead	8,000	0.80
Fixed Overhead	44,000	4.40
Total	82,000	8.20

Fixed overhead will continue whether the component is produced internally or externally. No additional cost of purchasing will be incurred other than the purchase price.

Required

(i) Which alternative (make or buy) is more cost effective and by how much? Show all relevant calculations.

(4 marks)

(ii) Assume that fixed overhead cost of RM 10,000 can be avoided if the component is purchased externally. Which alternative is more cost effective and by how much? Show all relevant calculations.

(5 marks)

PART B

Helix Manufacturing Sdn Bhd produces a cleaning component known as Ezy-Clean. The direct materials and direct labor standard for one unit of Ezy-Clean are given below:

	Standard Quantity Or Hours	Standard Price Or Rate
Direct Materials	4.6 pounds	RM 2.50 per pound
Direct Labor	0.2 hours	RM 12.00 per hour

During the current month, the following activity was recorded:

1. Twenty thousand (20,000) pounds of materials were purchased at a cost of RM 2.35 per pound.
2. All of the materials purchased were used to produce 4,000 units of Ezy-Clean
3. 750 hours of direct labor time were recorded at a total labor cost of RM 10,425.

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Required

(i) Compute the following:

a) Total material variance.
b) Material price variance.
c) Material quantity variance.

(5 marks)

(ii) Compute the following:

a) Total labor variance.
b) Labor price variance.
c) Labor quantity variance.

(5 marks)

(iii) Identify two (2) causes of material and labor variances.

(3 marks)

(Total 25 marks)

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